G. R. S. 59] GPB—15,000—22-7-14

GENERAL AND REVENUE SECRETARIAT.

1914

(G-F-)

File No. 1499 14.

Serial Nos. 1, 2 & 3

Papers Filed.

(1 9/8) *Month* February 1915

SUBJECT.

Re ~~Exemptions~~ opt Comptroller's report on ~~for~~ Exemptions from Sorting Duties, ~~regarding~~ ~~for~~ Exemptions from payment of income-tax interest realized by the Bombay on their investments in the Debentures of Madras, Bombay & Calcutta Corporations

PREVIOUS REFERENCES.

7/7/15

LATER REFERENCES.

Comptroller's office note on the subject with Comptroller's order 7-5-15

" as summarised.

" The matter is not worth pursuing. Drop"

G.7221 of 1681 and 2

GF 22.26.2 May 1917

GF 22.26.2/3.

G.R.S. 11] 1914 :

GENERAL AND REVENUE SECRETARIAT.

(Genl-Fin.)

NOTES.

File No. 149-14.

FILE HEADING.

Exemption from income-tax payable on three lakhs of Rupees
of Madras Municipal Debentures held in the name of the Dewan
on behalf of the Government

From

No.	Dated	Received

Diary. No.	Enclos.	Spare Copies.	Serial No. 1

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

NOTES—First Sheet.

GPE—35,000—15-6-12

Jorie. 978 & 28.1.15

URGENT.

REPLY.

(*To be written on this margin.*)

Office of the Dewan of Mysore.

NOTE.

Dated....28th...January....*1915* .

It is understood that the Comptroller applied to the Government of Madras, in or before September last for a certificate of exemption from income tax payable on three lakhs of Madras Municipal Debentures held in the name of the Dewan on behalf of Government. Under the Income Tax Act the income tax in such cases is deducted before the interest is paid and in the absence of special reasons the request for exemption would apparently be irregular, Was there any special reason for this application?

The Financial Secretary is requested to kindly put up a note in the matter.

An enquiry has been made by the Hon'ble the Resident.

The Financial Secretary
to Government. 28.1.15.

RETURN REQUESTED WITH REPLY BEFORE THIS EVENING.

G.R.S. 13]

(3)

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Fd mis 1143/14-15.

There seem to be no references in this Branch on the Subject. The Camps Office may be consulted as directed. Put up a note.

Desai) 27/1/15

Please see note put up. mrk 28.1.15

4124
26-1-15

Dewan) 28/1.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

GPB—50,000—29-6-14

(6)

Enquiry by the Dewan re the application for exemption from income-tax.

The Collectors of Incometax, Madras, and Calcutta were addressed for ascertaining if there was any provision in the rules for getting exemption from payment of incometax on interest on the Municipal Debentures lately purchased by us, and if there was any such provision, they were requested to grant the necessary certificates.

The Collector of Incometax, Madras, has written to say that the matter has been referred to the Collector of Madras, and this latter officer is stated to have placed the question before the Revenue Board for orders.

In reply to the other enquiry made of the Collector of Incometax, Calcutta, he has asked us to tell him for what object the investment has been made and a reply thereto is under issue to the effect that the securities represent the temporary investment of public funds in the interest of general administration.

Art. of the Income Tax Act provides for the exemption from incometax of interest on investments for public charitable purposes and the Government Investment under reference is for a "public" though not for a "public charitable" purpose. Article 6. of the same Act empowers the Governor-General to exempt any person or area from incometax and we do not know if there is any order passed under this article exempting from payment of tax, interest on securities held by Native States.

The

The interest on the Government of India promissory notes of the special form held by Native States is exempt from income tax and the enquiry made is with the object of finding out if a like exemption can be had in respect of other investments by Native States. Such investments are for public purposes and it is not unreasonable to request that interest on them may be exempted from income tax.

28th Jan. 1915

Offg. Comptroller.

28/1

SDV

(e) (6)

F. R. S. 12]

General and Revenue Secretariat.	File No. of 191

Serial No.

The accompanying papers were given to me by Mr. B. V. Lakshman Rao for putting up a draft reply to the D. C. letter dated 14th February 1915 of the Hon'ble the Resident.

2. I submit a draft reply as required.

3. We now hold about Rs 13 lakhs worth of paper of the Madras, Bombay and Calcutta Corporations and the exemption asked for would save us an annual charge of Rs 1,354. We also hold about Rs 9½ lakhs worth of paper of the Bombay and Karachi Port Trusts and it was the intention to ask for exemption from income-tax of interest on this paper also after the question concerning the Corporation paper was settled. As explained by me in my note dated 26/1/15 the investments by the Durbar in these notes are for "public purposes" though not for "public charitable purposes." The request for exemption is not therefore unreasonable. The question raised also involves the consideration of another point namely, whether the Government of India can impose any tax on the revenues of the Mysore Government though such revenues may accrue in British India. In any case the saving to be secured is small and it may not be desirable to press the point now. At the same time it seems to me that it is undesirable to treat the case as decided against us.

In

NOTE—Contn. sheet.

GPB—25,000—2-11-14

F. R. S. 12]

General and Revenue Secretariat. | File No. of 191

Serial No.

In such circumstances it does not seem to be desirable to inform the Government of India, as proposed by the Resident, that "there is no apparent reason for granting the exemption." The draft reply proposed is in accordance with the view expressed in this note.

SDV

15/2/15

* Issued. Vide No. 2758 S 16.2.1915 post up below

Approved. After issue of letter, the papers may be transmitted to the Fin. Dept. for record.

16.2.15 RC

4124

A&R to see this. B. R. A. Please give this a Lin No. and have it noted.

2.3.15

NOTE—Contn. sheet.

GPB—25,000—2-11-14

(c)

Bangalore

D. O. No. 2621/En one

30th January '15.

To

S.F-149-14-1 (1)

The Hon'ble

Col Sir Hugh Daly K.C.I.E. C.S.I.

Resident in Mysore,

Bangalore.

My dear Sir,

With reference to your enquiry at our personal interview on the 27th instant about the Comptroller's application for a certificate of exemption from income tax payable on Madras Municipal debentures held by the Mysore Government, I enclose a copy of ~~the Comptroller's~~ a note explaining why the application was made.

Yours very Sincerely

31.1.15

(Dewan).

(2) D. O. No. 2235

C-F-149-14-2

(7)

Bangalore,
14th February 1915.

My dear Dewan Sahib,

I have been looking into that matter of the exemption from Income Tax of Govt Promissory Notes in the special form; but can find no orders on the subject beyond those which are contained in article 214 A, Vol I, of the Govt of India Civil Account Code. The sanction of the Govt of India to the admission of the Mysore Darbar to the privilege of holding notes in the special form was conveyed in the First Asst's letter to your predecessor No 3730, dated the 30th June 1915. (905?) I understand that the general view of the Govt of India is that there are certain advantages, both to Darbars & to Govt, in encouraging Chiefs to invest in Govt paper & that these advantages justify the remission of Income Tax; the exmption even in this case is, however, as you will see from the Civil Account Code, subject to considerable limitations.

As regards Municipal & other semi-private undertakings, the view of Govt is, I understand, that these are on quite a different footing. There is no reason why Govt should wish Darbars to invest in such securities & to exempt such investments from Income Tax would amount to a gratuitous loss of public money. The liability to the tax is, as I pointed out before, inherent in the investment itself.

As shown in the note by the Comptroller which you kindly sent me with you d/o letter No 2671, dated the 30th Janry, Section 5 (i) e of the Income Tax Act provides for the exemption from Income Tax of interest on investments made for religious or public charitable purposes. The enquiry of the Govt of India, with reference to the Comptroller's application for exemption (which I think you said he made without reference to you), was probably merely intended to ascertain whether the investments in question came under the head of "religious or public charitable purposes". I propose therefore merely to reply that they do not come under this head & that there is no apparent reason for granting the exemption.

Perhaps you will kindly let me know whether you think this reply would be suitable & sufficient.

Yours very sincerely

M. Visvesvaraya Esqr, C.I.E.

(6)

Bangalore
16th Feb. 15

Draft D. C. for approval.

(5)

D. O. No. 2758

C.F. Leg - 14 - 3

My Dear Sir,

I have received your letter of the 14th inst. ~~yesterday~~ about the Comptroller's request for exempting from payment of income-tax the interest realised by the Durbar on their investments in the debentures of the Madras, Bombay and Calcutta Corporations.

The enquiry made by the Comptroller was, as explained in his note which I had sent for your perusal, ~~was~~ to ascertain if there was any rule already passed by the Government of India permitting the concession and if so, to take advantage of it. I understand from your letter that there is no such rule, ~~and~~ the Durbar in these circumstances do not desire to press their request as their holdings in these debentures are at present small. Such holdings are not, ~~as stated by you~~ for "religious or public Charitable purposes" though they are "for "public purposes" as they represent the surplus funds of the Durbar temporarily invested in Municipal Debentures

Yours very sincerely

16.2.15

(Dewan of Mysore)

The Hon'ble

Col. Sir Hugh Daly, K.C.I.E., C.S.I

Resident in Mysore,

Bangalore.

sent 15/2/15

SDV